

AMENDED IN ASSEMBLY APRIL 18, 2007

AMENDED IN ASSEMBLY APRIL 16, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1134

Introduced by Assembly Member Dymally

February 23, 2007

~~An act to add Chapter 12.9 (commencing with Section 7091) to Division 7 of Title 1 of the Government Code, to amend Section 128260 of the Health and Safety Code, and to amend Sections 17039 and 23036 of, and to add Sections 17052.16, 17053.16, 17053.17, 23612.3, 23612.5, and 23612.6 to, the Revenue and Taxation Code, relating to medical enterprise zones. An act to add Sections 17053.17 and 23612.6 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1134, as amended, Dymally. ~~Medical enterprise zones: student loans: tax credits. Enterprise zones: residency training programs: tax credits.~~

~~(1) Existing law authorizes the governing bodies of cities or counties to propose the designation of areas within their respective jurisdictions as enterprise zones based upon specified findings that those areas are depressed areas and in need of private sector investment. The Trade and Commerce Agency is authorized to designate not more than 25 enterprise zones within the state based on its determination that the zones propose the most effective, innovative, and comprehensive regulatory, tax, program, and other incentives in attracting private sector investment in the zones proposed.~~

~~This bill would require the California Healthcare Workforce Policy Commission of the Office of Statewide Health Planning and Development to designate 10 medical enterprise zones that are medically underserved areas, as defined.~~

~~(2) Existing law establishes the Health Education and Academic Loan Act. Under the act a medical student or person in a primary care residency training program is eligible for loan assistance if they enter into certain conditions, an applicant will receive priority if they agree to provide primary care services for a minimum of 3 years in a medically underserved designated shortage area, as defined.~~

~~This bill would amend the definition of a medically underserved designated shortage area to include an area designated a medical enterprise zone by the Health Manpower Commission.~~

~~(3) The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws.~~

~~*The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws.*~~

~~This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2008, in an amount equal to 100% of the amount paid or incurred during the taxable year for sales and use taxes paid or incurred by the taxpayer in connection with the purchase of medical equipment, up to a specified value, that is used exclusively in a medical enterprise zone.~~

~~The bill would also authorize a credit against those taxes for each taxable year beginning on or after January 1, 2008, in an amount equal to various specified percentages of the amount paid or incurred during the taxable year for hiring a health care professional whose services were performed in a medical enterprise zone.~~

~~The bill would additionally authorize a credit against those taxes for each taxable year beginning on or after January 1, 2008, in an amount equal to ____% of the qualified amount, as defined, for the support of a qualified primary care residency training program.~~

~~*This bill would take effect immediately as a tax levy.*~~

~~Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.~~

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. Chapter 12.9 (commencing with Section 7091)~~
- 2 ~~is added to Division 7 of Title 1 of the Government Code, to read:~~

CHAPTER 12.9. MEDICAL ENTERPRISE ZONES

~~7091. The Legislature finds and declares that the health, safety, and welfare of the people of California depend upon the development, stability, and expansion of private business, industry, primary health care, and commerce, and that there are certain areas within the state that are economically depressed and medically underserved due to a lack of investment in the private sector. Therefore, it is declared to be the purpose of this act to stimulate business, primary health care, and industrial growth in the depressed areas of the state by relaxing regulatory controls that impede private investment.~~

~~The Legislature further finds and declares that nothing in this chapter shall be construed to infringe upon regulations relating to civil rights, equal employment rights, equal opportunity rights, or fair housing rights of any person.~~

~~The Legislature further finds and declares that no medical enterprise zone shall be designated in which any boundary thereof is drawn in such a manner as to include larger stable businesses, areas with a sufficient supply of health care professionals, or heavily residential areas to the detriment of areas that are truly economically depressed and medically underserved.~~

~~7092. For purposes of this chapter:~~

~~(a) “Governing body” means a county board of supervisors or a city council, as appropriate.~~

~~(b) “Eligible area” means a geographic area meeting the criteria described in Section 7093.~~

~~(c) “Health professional shortage area” means an area designated to be a primary care health professional shortage area by the federal Department of Health and Human Services pursuant to Part 5 (commencing with Section 5.1) of Title 42 of the Code of Federal Regulations.~~

~~(d) “Medical enterprise zone” means any area within a city, county, or city and county that is designated as such by the Healthcare Workforce Policy Commission in accordance with Section 7093.~~

~~(e) “Commission” means the California Healthcare Workforce Policy Commission of the Office of Statewide Health Planning and Development.~~

1 (f) “Taxpayer” means an individual or entity that receives a tax
2 credit pursuant to Section 17052.16, 17053.16, 17053.17, 23612.3,
3 23612.5, or 23612.6 of the Revenue and Taxation Code.

4 7093. (a) The governing body of a city or county may, either
5 by ordinance or resolution, propose an eligible area plus one
6 commercial or industrial area or both within its respective
7 jurisdiction as the geographic area for a medical enterprise zone.
8 This proposed geographic area shall be based upon findings by
9 the governing body that the area is within a health professional
10 shortage area or a medically underserved area, that the area is in
11 an enterprise zone, and that the designation as a medical enterprise
12 zone is necessary in order to assist in attracting private sector
13 investment in the area. The city or county shall establish definitive
14 boundaries for the area to be included in the application for
15 designation and, if designated by the agency or the commission,
16 the designation shall be binding for a period of 15 years.

17 (b) The governing body may apply to the commission to
18 designate, as a medical enterprise zone, an area within the
19 governing body’s jurisdiction. The commission shall adopt
20 regulations and guidelines concerning the necessary contents of
21 each application for designation. The commission shall refer to
22 criteria and regulations specified by the federal Department of
23 Health and Human Services contained in Part 5 (commencing with
24 Section 5.1) of Title 42 of the Code of Federal Regulations
25 regarding designation of health professional shortage areas.

26 (c) Any city, county, or city and county with an eligible area
27 within its jurisdiction may complete a preliminary application. A
28 maximum of 20 preliminary applications may be chosen each year
29 to complete a final application.

30 (d) (1) From the applications received, the commission shall
31 designate 10 medical enterprise zones by December 1, 2008.

32 (2) The commission shall develop, maintain, and provide a
33 complete description of the areas included within each medical
34 enterprise zone to the Employment Development Department, the
35 Minority Health Professions Education Foundation, and any other
36 individual or state agency that requests it.

37 (3) Taxpayers providing primary care services in medical
38 enterprise zones shall present to the commission information about
39 his or her programs three years following the establishment of the
40 taxpayer’s business within a medical enterprise zone and every

1 three years thereafter. This information shall include, but is not
2 limited to, the following:

3 (A) Records of success in the use of disease registries in
4 improving the health of the taxpayer's chronically ill patients.

5 (B) Quantifiable evidence that the use of electronic medical
6 records has improved patient health.

7 (C) Quantifiable evidence that the taxpayer's practice of primary
8 care medicine has improved access to primary care services within
9 the medical enterprise zone.

10 (D) Quantifiable evidence that the taxpayer's practice in the
11 medical enterprise zone has improved other preventative and
12 primary care services.

13 (4) The commission shall evaluate the information required by
14 paragraph (3) and shall consider it in subsequent recommendations
15 on applications for medical enterprise zone status. The individual
16 taxpayer's business shall be considered a success if in the
17 neighborhoods served by the taxpayer's primary care services any
18 of the following conditions occur:

19 (A) There is quantifiable evidence of success in the use of
20 disease registries in improving the health of the taxpayer's
21 chronically ill patients.

22 (B) There is quantifiable evidence that the use of electronic
23 medical records has improved patient health.

24 (C) There is quantifiable evidence that the taxpayer's practice
25 of primary care medicine has improved access to primary care
26 services within the medical enterprise zone.

27 (D) There is quantifiable evidence that the taxpayer's practice
28 in the medical enterprise zone has improved other preventative
29 and primary care services.

30 (e) In designating medical enterprise zones, the commission
31 shall give preference to those applications that, in comparison to
32 all of the applications submitted, propose the most effective,
33 innovative, and comprehensive regulatory, tax, and other incentives
34 in attracting primary health care professional investment.

35 (1) For purposes of this subdivision, regulatory incentives
36 include, but are not limited to, all of the following:

37 (A) The suspension or relaxation of locally originated or
38 modified building codes, zoning laws, general development plans,
39 or rent controls.

1 ~~(B) The elimination or reduction of fees for applications,~~
2 ~~permits, and local government services.~~

3 ~~(C) The establishment of a streamlined permit process.~~

4 ~~(2) Tax incentives include, but are not limited to, the elimination~~
5 ~~or reduction of construction taxes or business license taxes.~~

6 ~~(3) Other incentives may include, but are not limited to, all of~~
7 ~~the following:~~

8 ~~(A) The provision or expansion of infrastructure; the targeting~~
9 ~~of federal block grant moneys, including small cities, education,~~
10 ~~and health and welfare block grants.~~

11 ~~(B) The targeting of economic development grants and loan~~
12 ~~moneys, including grant and loan moneys provided by the federal~~
13 ~~Urban Development Action Grant program and the federal~~
14 ~~Economic Development Administration.~~

15 ~~(C) The targeting of state and federal job disadvantaged and~~
16 ~~vocational education grant moneys, including moneys provided~~
17 ~~by the federal Job Partnership.~~

18 ~~(D) The targeting of moneys provided by the Training Act of~~
19 ~~1982.~~

20 ~~(E) The targeting of federal and state transportation moneys.~~

21 ~~(F) The targeting of federal or state low-income housing and~~
22 ~~rental assistance moneys.~~

23 ~~(4) In the process of designating new zones, the commission~~
24 ~~shall take into consideration the location of existing zones and~~
25 ~~make every effort to locate new zones in a manner that will not~~
26 ~~adversely affect any existing zones.~~

27 ~~(f) In evaluating applications for designation, the commission~~
28 ~~shall ensure that applications are not disqualified solely because~~
29 ~~of technical deficiencies and shall provide applicants with an~~
30 ~~opportunity to correct the deficiencies. Applications shall be~~
31 ~~disqualified if the deficiencies are not corrected within two weeks~~
32 ~~of the applicant being notified of the deficiency.~~

33 ~~7094. (a) The commission shall design, develop, and make~~
34 ~~available the applications and the criteria for selection of enterprise~~
35 ~~zones, and shall adopt all regulations necessary to carry out this~~
36 ~~article.~~

37 ~~(b) The applications, selection criteria, and all necessary~~
38 ~~regulations for designation shall be adopted and made available~~
39 ~~not later than June 1, 2008.~~

1 ~~7095. (a) A health facility located in a medical enterprise zone~~
2 ~~shall notify the commission and the Legislature at least 180 days~~
3 ~~prior to the date it intends to withdraw wholly or substantially from~~
4 ~~operating a facility or program, including a primary care residency~~
5 ~~training program.~~

6 ~~(b) (1) Upon receipt of the notice required under subdivision~~
7 ~~(a), the commission shall request and review additional~~
8 ~~information, as deemed necessary, to determine the conditions in~~
9 ~~the medical enterprise zone and to determine whether health care~~
10 ~~may not become readily available in the medical enterprise zone~~
11 ~~if the facility or program is closed or substantially withdrawn. The~~
12 ~~commission shall submit a summary of its review to the Legislature~~
13 ~~within 60 days of receipt of notice from the health facility.~~

14 ~~(2) The appropriate policy committees of the Assembly and~~
15 ~~Senate shall conduct a joint public hearing on the proposed closure~~
16 ~~or withdrawal. The hearing shall be held within 60 days of the~~
17 ~~summary being submitted to the Legislature. If the summary is~~
18 ~~submitted when the Legislature is in recess, the hearing shall occur~~
19 ~~within 30 days of the Members convening.~~

20 ~~SEC. 2. Section 128260 of the Health and Safety Code is~~
21 ~~amended to read:~~

22 ~~128260. As used in this article, unless the context otherwise~~
23 ~~requires, the following definitions shall apply:~~

24 ~~(a) "Commission" means the California Healthcare Workforce~~
25 ~~Policy Commission.~~

26 ~~(b) "Director" means the Director of Statewide Health Planning~~
27 ~~and Development.~~

28 ~~(c) "Medically underserved designated shortage area" means~~
29 ~~any of the following:~~

30 ~~(1) An area designated by the commission as a critical health~~
31 ~~workforce shortage area.~~

32 ~~(2) A medically underserved area, as designated by the United~~
33 ~~States Department of Health and Human Services.~~

34 ~~(3) A critical workforce shortage area, as defined by the United~~
35 ~~States Department of Health and Human Services.~~

36 ~~(4) An area designated as a medical enterprise zone pursuant~~
37 ~~to Section 7093 of the Government Code.~~

38 ~~(d) "Primary care physician" means a physician who has the~~
39 ~~responsibility for providing initial and primary care to patients,~~
40 ~~for maintaining the continuity of patient care, and for initiating~~

1 referral for care by other specialists. A primary care physician
2 shall be a board-certified or board-eligible general internist, general
3 pediatrician, general obstetrician-gynecologist, or family physician.

4 SEC. 3. Section 17039 of the Revenue and Taxation Code is
5 amended to read:

6 17039. (a) Notwithstanding any provision in this part to the
7 contrary, for the purposes of computing tax credits, the term “net
8 tax” means the tax imposed under either Section 17041 or 17048
9 plus the tax imposed under Section 17504 (relating to lump-sum
10 distributions) less the credits allowed by Section 17054 (relating
11 to personal exemption credits) and any amount imposed under
12 paragraph (1) of subdivision (d) and paragraph (1) of subdivision
13 (e) of Section 17560. Notwithstanding the preceding sentence, the
14 “net tax” shall not be less than the tax imposed under Section
15 17504 (relating to the separate tax on lump-sum distributions), if
16 any. Credits shall be allowed against “net tax” in the following
17 order:

18 (1) Credits that do not contain carryover or refundable
19 provisions, except those described in paragraphs (4) and (5).

20 (2) Credits that contain carryover provisions but do not contain
21 refundable provisions, except for those that are allowed to reduce
22 “net tax” below the tentative minimum tax, as defined by Section
23 17062.

24 (3) Credits that contain both carryover and refundable
25 provisions.

26 (4) The minimum tax credit allowed by Section 17063 (relating
27 to the alternative minimum tax).

28 (5) Credits that are allowed to reduce “net tax” below the
29 tentative minimum tax, as defined by Section 17062.

30 (6) Credits for taxes paid to other states allowed by Chapter 12
31 (commencing with Section 18001).

32 (7) Credits that contain refundable provisions but do not contain
33 carryover provisions.

34 The order within each paragraph shall be determined by the
35 Franchise Tax Board.

36 (b) Notwithstanding the provisions of Sections 17061 (relating
37 to refunds pursuant to the Unemployment Insurance Code) and
38 19002 (relating to tax withholding), the credits provided in those
39 sections shall be allowed in the order provided in paragraph (6) of
40 subdivision (a).

1 ~~(e) (1) Notwithstanding any other provision of this part, no tax~~
2 ~~credit shall reduce the tax imposed under Section 17041 or 17048~~
3 ~~plus the tax imposed under Section 17504 (relating to the separate~~
4 ~~tax on lump-sum distributions) below the tentative minimum tax,~~
5 ~~as defined by Section 17062, except the following credits:~~

6 ~~(A) The credit allowed by Section 17052.2 (relating to teacher~~
7 ~~retention tax credit).~~

8 ~~(B) The credit allowed by former Section 17052.4 (relating to~~
9 ~~solar energy).~~

10 ~~(C) The credit allowed by former Section 17052.5 (relating to~~
11 ~~solar energy, repealed on January 1, 1987).~~

12 ~~(D) The credit allowed by former Section 17052.5 (relating to~~
13 ~~solar energy, repealed on December 1, 1994).~~

14 ~~(E) The credit allowed by Section 17052.12 (relating to research~~
15 ~~expenses).~~

16 ~~(F) The credit allowed by former Section 17052.13 (relating to~~
17 ~~sales and use tax credit).~~

18 ~~(G) The credit allowed by former Section 17052.15 (relating to~~
19 ~~Los Angeles Revitalization Zone sales tax credit).~~

20 ~~(H) The credit allowed by Section 17052.16 (relating to medical~~
21 ~~enterprise zone sales and use tax credit).~~

22 ~~(I) The credit allowed by Section 17052.25 (relating to the~~
23 ~~adoption costs credit).~~

24 ~~(J) The credit allowed by Section 17053.5 (relating to the~~
25 ~~renter's credit).~~

26 ~~(K) The credit allowed by former Section 17053.8 (relating to~~
27 ~~enterprise zone hiring credit).~~

28 ~~(L) The credit allowed by former Section 17053.10 (relating to~~
29 ~~Los Angeles Revitalization Zone hiring credit).~~

30 ~~(M) The credit allowed by former Section 17053.11 (relating~~
31 ~~to program area hiring credit).~~

32 ~~(N) For each taxable year beginning on or after January 1, 1994,~~
33 ~~the credit allowed by former Section 17053.17 (relating to Los~~
34 ~~Angeles Revitalization Zone hiring credit).~~

35 ~~(O) The credit allowed by Section 17053.33 (relating to targeted~~
36 ~~tax area sales or use tax credit).~~

37 ~~(P) The credit allowed by Section 17053.34 (relating to targeted~~
38 ~~tax area hiring credit).~~

39 ~~(Q) The credit allowed by Section 17053.49 (relating to qualified~~
40 ~~property).~~

1 ~~(R) The credit allowed by Section 17053.70 (relating to~~
2 ~~enterprise zone sales or use tax credit).~~

3 ~~(S) The credit allowed by Section 17053.74 (relating to~~
4 ~~enterprise zone hiring credit).~~

5 ~~(T) The credit allowed by Section 17054 (relating to credits for~~
6 ~~personal exemption).~~

7 ~~(U) The credit allowed by Section 17054.5 (relating to the~~
8 ~~credits for a qualified joint custody head of household and a~~
9 ~~qualified taxpayer with a dependent parent).~~

10 ~~(V) The credit allowed by Section 17054.7 (relating to the credit~~
11 ~~for a senior head of household).~~

12 ~~(W) The credit allowed by former Section 17057 (relating to~~
13 ~~clinical testing expenses).~~

14 ~~(X) The credit allowed by Section 17058 (relating to low-income~~
15 ~~housing).~~

16 ~~(Y) The credit allowed by Section 17061 (relating to refunds~~
17 ~~pursuant to the Unemployment Insurance Code).~~

18 ~~(Z) Credits for taxes paid to other states allowed by Chapter 12~~
19 ~~(commencing with Section 18001).~~

20 ~~(AA) The credit allowed by Section 19002 (relating to tax~~
21 ~~withholding).~~

22 ~~(2) Any credit that is partially or totally denied under paragraph~~
23 ~~(1) shall be allowed to be carried over and applied to the net tax~~
24 ~~in succeeding taxable years, if the provisions relating to that credit~~
25 ~~include a provision to allow a carryover when that credit exceeds~~
26 ~~the net tax.~~

27 ~~(d) Unless otherwise provided, any remaining carryover of a~~
28 ~~credit allowed by a section that has been repealed or made~~
29 ~~inoperative shall continue to be allowed to be carried over under~~
30 ~~the provisions of that section as it read immediately prior to being~~
31 ~~repealed or becoming inoperative.~~

32 ~~(e) (1) Unless otherwise provided, if two or more taxpayers~~
33 ~~(other than husband and wife) share in costs that would be eligible~~
34 ~~for a tax credit allowed under this part, each taxpayer shall be~~
35 ~~eligible to receive the tax credit in proportion to his or her~~
36 ~~respective share of the costs paid or incurred.~~

37 ~~(2) In the case of a partnership, the credit shall be allocated~~
38 ~~among the partners pursuant to a written partnership agreement in~~
39 ~~accordance with Section 704 of the Internal Revenue Code, relating~~
40 ~~to partner's distributive share.~~

1 ~~(3) In the case of a husband and wife who file separate returns,~~
2 ~~the credit may be taken by either or equally divided between them.~~

3 ~~(f) Unless otherwise provided, in the case of a partnership, any~~
4 ~~credit allowed by this part shall be computed at the partnership~~
5 ~~level, and any limitation on the expenses qualifying for the credit~~
6 ~~or limitation upon the amount of the credit shall be applied to the~~
7 ~~partnership and to each partner.~~

8 ~~(g) (1) With respect to any taxpayer that directly or indirectly~~
9 ~~owns an interest in a business entity that is disregarded for tax~~
10 ~~purposes pursuant to Section 23038 and any regulations thereunder,~~
11 ~~the amount of any credit or credit carryforward allowable for any~~
12 ~~taxable year attributable to the disregarded business entity shall~~
13 ~~be limited in accordance with paragraphs (2) and (3).~~

14 ~~(2) The amount of any credit otherwise allowed under this part,~~
15 ~~including any credit carryover from prior years, that may be applied~~
16 ~~to reduce the taxpayer's "net tax," as defined in subdivision (a);~~
17 ~~for the taxable year shall be limited to an amount equal to the~~
18 ~~excess of the taxpayer's regular tax (as defined in Section 17062),~~
19 ~~determined by including income attributable to the disregarded~~
20 ~~business entity that generated the credit or credit carryover, over~~
21 ~~the taxpayer's regular tax (as defined in Section 17062), determined~~
22 ~~by excluding the income attributable to that disregarded business~~
23 ~~entity. No credit shall be allowed if the taxpayer's regular tax (as~~
24 ~~defined in Section 17062), determined by including the income~~
25 ~~attributable to the disregarded business entity, is less than the~~
26 ~~taxpayer's regular tax (as defined in Section 17062), determined~~
27 ~~by excluding the income attributable to the disregarded business~~
28 ~~entity.~~

29 ~~(3) If the amount of a credit allowed pursuant to the section~~
30 ~~establishing the credit exceeds the amount allowable under this~~
31 ~~subdivision in any taxable year, the excess amount may be carried~~
32 ~~over to subsequent taxable years pursuant to subdivisions (c) and~~
33 ~~(d).~~

34 ~~(h) (1) Unless otherwise specifically provided, in the case of a~~
35 ~~taxpayer that is a partner or shareholder of an eligible pass-through~~
36 ~~entity described in paragraph (2), any credit passed through to the~~
37 ~~taxpayer in the taxpayer's first taxable year beginning on or after~~
38 ~~the date the credit is no longer operative may be claimed by the~~
39 ~~taxpayer in that taxable year, notwithstanding the repeal of the~~
40 ~~statute authorizing the credit prior to the close of that taxable year.~~

~~(2) For purposes of this subdivision, “eligible pass-through entity” means any partnership or “S” corporation that files its return on a fiscal year basis pursuant to Section 18566, and that is entitled to a credit pursuant to this part for the taxable year that begins during the last year the credit is operative.~~

~~(3) This subdivision shall apply to credits that become inoperative on or after the operative date of the act adding this subdivision.~~

~~SEC. 4. Section 17052.16 is added to the Revenue and Taxation Code, to read:~~

~~17052.16. (a) For each taxable year beginning on or after January 1, 2008, there shall be allowed a credit against the “net tax,” as defined by Section 17039, an amount, not to exceed the limitation in subdivision (f), that is equal to the sales or use tax paid or incurred by the taxpayer in connection with the purchase of qualified property.~~

~~(b) For purposes of this section:~~

~~(1) “Taxpayer” means a person or entity engaged in a trade or business that provides primary care services, as defined in subdivision (d) of Section 2201 of the Business and Professions Code, any physician and surgeon licensed pursuant to Section 1900 of the Business and Professions Code, or a primary care midlevel health practitioner, as defined in subdivision (b) of Section 1339.5 of the Health and Safety Code, within a medical enterprise zone.~~

~~(2) “Qualified property” means medical equipment up to a value of five hundred thousand dollars (\$500,000), that is used exclusively in a medical enterprise zone.~~

~~(3) “Medical equipment” includes, but is not limited to, audiometers, EKGs, colposcopes, flexible sigmoidoscopes, pulmonary function machines, microscopes, small refrigerators and incubators, surgical instruments used for minor surgery, biopsies, and sutures, X-ray viewing boxes, chemical analyzers, centrifuges, hematocut centrifuges, sphygmomanometers, otoscopes, ophthalmoscopes, adult scales, baby scales, exam room furniture, waiting room furniture, filing cabinets, computers, software, and other electronic hardware that will improve the quality of care through the use of electronic medical records or other information technology, printers, computer tables, dictating equipment, and typewriters.~~

1 ~~(4) “Medical enterprise zone” means an area for which~~
2 ~~designation as a medical enterprise zone is in effect under Section~~
3 ~~7093 of the Government Code.~~

4 ~~(e) (1) In the case where a credit is allowed for qualified~~
5 ~~property under more than one section in this part, the taxpayer~~
6 ~~shall make an election, on the return filed for each year, as to which~~
7 ~~section applies to that taxpayer.~~

8 ~~(2) Any election made under this section, and any specification~~
9 ~~contained in that election, may not be revoked except with the~~
10 ~~consent of the Franchise Tax Board.~~

11 ~~(d) In the case where the credit allowed under this section~~
12 ~~exceeds the limitation imposed by subdivision (f) for the taxable~~
13 ~~year, that portion of the credit that exceeds the limitation imposed~~
14 ~~by subdivision (f) may be carried over and added to this credit in~~
15 ~~succeeding taxable years for the number of taxable years in which~~
16 ~~the designation of a medical enterprise zone is operative, until the~~
17 ~~credit is used. The credit shall be applied first to the earliest taxable~~
18 ~~years possible.~~

19 ~~(e) Any taxpayer who elects to be subject to this section shall~~
20 ~~not be entitled to increase the basis of the property as otherwise~~
21 ~~required by Section 164(a) of the Internal Revenue Code with~~
22 ~~respect to the sales and use tax paid or incurred in connection with~~
23 ~~the purchase of qualified property.~~

24 ~~(f) The amount of the credit provided by this section, including~~
25 ~~any credit carryover from prior years, in any taxable year shall not~~
26 ~~exceed the amount of tax that would be imposed on the income~~
27 ~~attributable to business activities of the taxpayer within the medical~~
28 ~~enterprise zone as if that attributable income represented all of the~~
29 ~~income of the taxpayer subject to tax under this part. In the event~~
30 ~~that a credit carryover is allowable under subdivision (d) for any~~
31 ~~taxable year after the medical enterprise zone designation has~~
32 ~~expired, the medical enterprise zone shall be deemed to remain in~~
33 ~~existence for purposes of computing this limitation. The amount~~
34 ~~of that attributable income shall be determined in accordance with~~
35 ~~the provisions of Article 2 (commencing with Section 25120) of~~
36 ~~Chapter 17 of Part 11, modified as follows:~~

37 ~~(1) Income shall be apportioned to the medical enterprise zone~~
38 ~~by multiplying total income from the business by a fraction, the~~
39 ~~numerator of which is the property factor plus the payroll factor,~~
40 ~~and the denominator of which is two.~~

1 ~~(2) Medical enterprise zone shall be substituted for “this state.”~~

2 ~~(g) If the qualified property is disposed of or no longer used by~~
3 ~~the taxpayer in a medical enterprise zone, at any time before the~~
4 ~~close of the second taxable year after the property is placed in~~
5 ~~service, the amount of the credit previously claimed shall be added~~
6 ~~to the taxpayer’s tax liability in the taxable year of that disposition~~
7 ~~or nonuse.~~

8 ~~SEC. 5. Section 17053.16 is added to the Revenue and Taxation~~
9 ~~Code, to read:~~

10 ~~17053.16. (a) For each taxable year beginning on or after~~
11 ~~January 1, 2008, there shall be allowed as credit against the “net~~
12 ~~tax,” as defined in Section 17039, to a qualified taxpayer for hiring~~
13 ~~a health care professional during the taxable year. The credit shall~~
14 ~~be equal to the sum of each of the following:~~

15 ~~(1) Fifty percent for qualified wages in the first year of~~
16 ~~employment.~~

17 ~~(2) Forty percent for qualified wages in the second year of~~
18 ~~employment.~~

19 ~~(3) Thirty percent for qualified wages in the third year of~~
20 ~~employment.~~

21 ~~(4) Twenty percent for qualified wages in the fourth year of~~
22 ~~employment.~~

23 ~~(5) Ten percent for qualified wages in the fifth year of~~
24 ~~employment.~~

25 ~~(b) For purposes of this section:~~

26 ~~(1) “Qualified wages” means the wages paid or incurred by the~~
27 ~~employer during the taxable year to health care professionals.~~
28 ~~“Qualified wages” means that portion of hourly wages which does~~
29 ~~not exceed 150 percent of the minimum wage.~~

30 ~~(2) “Qualified years one through five wages” means, with~~
31 ~~respect to any individual, qualified wages received during the~~
32 ~~60-month period beginning with the day the individual commences~~
33 ~~employment within a medical enterprise zone.~~

34 ~~(3) “Minimum wage” means the wage established by the~~
35 ~~Industrial Welfare Commission as provided for in Chapter 1~~
36 ~~(commencing with Section 1171) of Part 4 of Division 2 of the~~
37 ~~Labor Code.~~

38 ~~(4) “Qualified taxpayer” means a person or entity engaged in a~~
39 ~~trade or business that provides primary care services as defined in~~
40 ~~subdivision (d) of Section 2201 of the Business and Professions~~

1 Code, any physician and surgeon licensed pursuant to Section 1900
2 of the Business and Professions Code, or a primary care midlevel
3 health care practitioner, as defined in subdivision (b) of Section
4 1339.5 of the Health and Safety Code, within a medical enterprise
5 zone.

6 (5) “Health care professional” means an individual:

7 (A) Who is a qualified employee within the meaning of
8 paragraph (6):

9 (B) Who is hired by the employer after the designation of the
10 area in which services were performed as a medical enterprise
11 zone.

12 (C) Who relocated to a medical enterprise zone.

13 (D) Who is any of the following:

14 (i) A primary care physician as defined in Section 14254 of the
15 Welfare and Institutions Code.

16 (ii) A nurse as defined in Section 2725 of the Business and
17 Professions Code.

18 (iii) A physician assistant who is licensed by the Physician
19 Assistant Examining Committee, and who meets the requirements
20 of Chapter 7.7 (commencing with Section 3500) of Division 2 of
21 the Business and Professions Code.

22 (iv) A nurse practitioner licensed under Chapter 6 (commencing
23 with Section 2700) of Division 2 of the Business and Professions
24 Code and who meets the standards for a nurse practitioner
25 established by the Board of Registered Nursing.

26 (6) “Qualified employee” means an individual:

27 (A) At least 90 percent of whose services for the taxpayer during
28 the taxable year are directly related to the conduct of the taxpayer’s
29 trade or business located in a medical enterprise zone.

30 (B) Who performs at least 50 percent of his or her services for
31 the taxpayer during the taxable year in a medical enterprise zone.

32 (7) “Medical enterprise zone” means an area for which
33 designation as a medical enterprise zone is in effect under Section
34 7093 of the Government Code.

35 (8) (A) All employees of trades or businesses that are not
36 incorporated and that are under common control shall be treated
37 as employed by a single employer.

38 (B) The credit, if any, allowable by this section with respect to
39 each trade or business shall be determined by reference to its
40 proportionate share of the qualified wages giving rise to the credit.

1 The regulations prescribed under this paragraph shall be based
2 on principles similar to the principles that apply in the case of
3 controlled groups of corporations as specified in paragraph (8) of
4 subdivision (b) of Section 23622.5.

5 (9) If an employer acquires the major portion of a trade or
6 business of another employer (hereinafter in this paragraph referred
7 to as the “predecessor”) or the major portion of a separate unit of
8 a trade or business of a predecessor, then, for purposes of applying
9 this section, except subdivision (e), for any calendar year ending
10 after that acquisition, the employment relationship between an
11 employee and an employer shall not be treated as terminated if the
12 employee continues to be employed in that trade or business.

13 (10) Nothing in this section constitutes an expansion of the
14 scope of practice of a licensee as designated under a current law.

15 (e) (1) If the employment of any employee, with respect to
16 whom qualified wages are taken into account under subdivision
17 (a) is terminated by the taxpayer at any time during the first 270
18 days of that employment, whether or not consecutive, or before
19 the close of the 270th calendar day after the day in which that
20 employee completes 90 days of employment with the taxpayer,
21 the tax imposed by this part for the taxable year in which that
22 employment is terminated shall be increased by an amount
23 determined under those regulations equal to the credit allowed
24 under subdivision (a) for that taxable year and all prior taxable
25 years attributable to qualified wages paid or incurred with respect
26 to that employee.

27 (2) (A) Paragraph (1) shall not apply to any of the following:

28 (i) A termination of employment of an employee who voluntarily
29 leaves the employment of the taxpayer.

30 (ii) A termination of employment of an individual who, before
31 the close of the period referred to in paragraph (1), becomes
32 disabled to perform the services of that employment, unless that
33 disability is removed before the close of that period and the
34 taxpayer fails to offer reemployment to that individual.

35 (iii) A termination of employment of an individual, if it is
36 determined under the applicable employment compensation
37 provisions that the termination was due to the misconduct of that
38 individual.

1 ~~(iv) A termination of employment of an individual due to a~~
2 ~~substantial reduction in the trade or business operations of the~~
3 ~~taxpayer.~~

4 ~~(v) A termination of employment of an individual, if that~~
5 ~~individual is replaced by other qualified employees so as to create~~
6 ~~a net increase in both the number of employees and the hours of~~
7 ~~employment.~~

8 ~~(B) For purposes of paragraph (1), the employment relationship~~
9 ~~between the taxpayer and an employee shall not be treated as~~
10 ~~terminated by reason of a mere change in the form of conducting~~
11 ~~the trade or business of the taxpayer, if the employee continues to~~
12 ~~be employed in that trade or business and the taxpayer retains a~~
13 ~~substantial interest in that trade or business.~~

14 ~~(3) Any increase in tax under paragraph (1) shall not be treated~~
15 ~~as tax imposed by this part for purposes of determining the amount~~
16 ~~of any credit allowable under this part.~~

17 ~~(d) In the case of an estate or trust:~~

18 ~~(1) The qualified wages for any taxable year shall be apportioned~~
19 ~~between the estate or trust and the beneficiaries on the basis of the~~
20 ~~income of the estate or trust allocable to each.~~

21 ~~(2) Any beneficiary to whom any qualified wages have been~~
22 ~~apportioned under paragraph (1) shall be treated, for purposes of~~
23 ~~this part, as the employer with respect to those wages.~~

24 ~~(e) The credit shall be reduced by the credit allowed under~~
25 ~~Sections 17053.7, 17053.8, 17053.10, 17053.11, 17053.17, and~~
26 ~~17053.46. The credit shall also be reduced by the federal credit~~
27 ~~allowed under Section 51 of the Internal Revenue Code.~~

28 ~~In addition, any deduction otherwise allowed under this part for~~
29 ~~the wages or salaries paid or incurred by the taxpayer upon which~~
30 ~~the credit is based shall be reduced by the amount of the credit.~~

31 ~~(f) In the case where the credit allowed under this section~~
32 ~~exceeds the limitation imposed by subdivision (g) for the taxable~~
33 ~~year, that portion of the credit that exceeds the limitation imposed~~
34 ~~by subdivision (g) may be carried over and added to this credit in~~
35 ~~succeeding taxable years while the designation of the medical~~
36 ~~enterprise zone is operative or 15 taxable years, if longer, until the~~
37 ~~credit is used. The credit shall be applied first to the earliest taxable~~
38 ~~years possible.~~

39 ~~(g) The amount of the credit provided by this section, including~~
40 ~~any credit carryover from prior years, in any taxable year shall not~~

1 exceed the amount of tax that would be imposed on the income
2 attributable to business activities of the taxpayer within the medical
3 enterprise zone as if that attributable income represented all of the
4 income of the taxpayer subject to tax under this part. In the event
5 that a credit carryover is allowable under subdivision (f) for any
6 taxable year after the medical enterprise zone designation has
7 expired, the medical enterprise zone shall be deemed to remain in
8 existence for purposes of computing this limitation. The amount
9 of that attributable income shall be determined in accordance with
10 the provisions of Article 2 (commencing with Section 25120) of
11 Chapter 17 of Part 11, modified as follows:

12 (1) ~~Income shall be apportioned to the medical enterprise zone~~
13 ~~by multiplying total income from the business by a fraction, the~~
14 ~~numerator of which is the property factor plus the payroll factor,~~
15 ~~and the denominator of which is two.~~

16 (2) ~~Medical enterprise zone shall be substituted for “this state.”~~
17 ~~SEC. 6.~~

18 *SECTION 1.* Section 17053.17 is added to the Revenue and
19 Taxation Code, to read:

20 17053.17. (a) For each taxable year beginning on or after
21 January 1, 2008, there shall be allowed as a credit against the “net
22 tax,” as defined in Section 17039, to a qualified taxpayer _____
23 percent of the qualified amount for the support of a qualified
24 primary care residency training program.

25 (b) For purposes of this section:

26 (1) ~~“Medical enterprise zone” means an area for which~~
27 ~~designation as a medical enterprise zone is in effect under Section~~
28 ~~7093 of the Government Code.~~

29 (1) *“Enterprise zone” means an area for which designation as*
30 *an enterprise zone is in effect under Section 7073 of the*
31 *Government Code.*

32 (2) *“Qualified amount” means the costs paid or incurred by a*
33 *qualified taxpayer for the support of a qualified primary care*
34 *residency training program.*

35 (3) *“Qualified primary care residency training program” means*
36 *a primary care residency training program located and operating*
37 *in a medical an enterprise zone.*

38 (4) *“Qualified taxpayer” means a person or entity that is lawfully*
39 *engaged in providing, arranging, paying for, or reimbursing the*
40 *cost of personal health care services under insurance policies or*

1 contracts, medical and hospital service arrangements, or
2 membership contracts, in consideration of premiums or other
3 periodic charges payable to it.

4 (c) In the case where the credit allowed by this section exceeds
5 the “net tax,” the excess may be carried over to reduce the “net
6 tax” in succeeding years, until the credit is exhausted.

7 ~~SEC. 7. Section 23036 of the Revenue and Taxation Code is~~
8 ~~amended to read:~~

9 ~~23036. (a) (1) The term “tax” includes any of the following:~~

10 ~~(A) The tax imposed under Chapter 2 (commencing with Section~~
11 ~~23101).~~

12 ~~(B) The tax imposed under Chapter 3 (commencing with Section~~
13 ~~23501).~~

14 ~~(C) The tax on unrelated business taxable income, imposed~~
15 ~~under Section 23731.~~

16 ~~(D) The tax on S corporations imposed under Section 23802.~~

17 ~~(2) The term “tax” does not include any amount imposed under~~
18 ~~paragraph (1) of subdivision (e) of Section 24667 or paragraph (2)~~
19 ~~of subdivision (f) of Section 24667.~~

20 ~~(b) For purposes of Article 5 (commencing with Section 18661)~~
21 ~~of Chapter 2, Article 3 (commencing with Section 19031) of~~
22 ~~Chapter 4, Article 6 (commencing with Section 19101) of Chapter~~
23 ~~4, and Chapter 7 (commencing with Section 19501) of Part 10.2,~~
24 ~~and for purposes of Sections 18601, 19001, and 19005, the term~~
25 ~~“tax” also includes all of the following:~~

26 ~~(1) The tax on limited partnerships, imposed under Section~~
27 ~~17935, the tax on limited liability companies, imposed under~~
28 ~~Section 17941, and the tax on registered limited liability~~
29 ~~partnerships and foreign limited liability partnerships imposed~~
30 ~~under Section 17948.~~

31 ~~(2) The alternative minimum tax imposed under Chapter 2.5~~
32 ~~(commencing with Section 23400).~~

33 ~~(3) The tax on built-in gains of “S” corporations, imposed under~~
34 ~~Section 23809.~~

35 ~~(4) The tax on excess passive investment income of S~~
36 ~~corporations, imposed under Section 23811.~~

37 ~~(e) Notwithstanding any other provision of this part, credits are~~
38 ~~allowed against the “tax” in the following order:~~

39 ~~(1) Credits that do not contain carryover provisions.~~

~~(2) Credits that, when the credit exceeds the “tax,” allow the excess to be carried over to offset the “tax” in succeeding taxable years, except for those credits that are allowed to reduce the “tax” below the tentative minimum tax, as defined by Section 23455. The order of credits within this paragraph shall be determined by the Franchise Tax Board.~~

~~(3) The minimum tax credit allowed by Section 23453.~~

~~(4) Credits that are allowed to reduce the “tax” below the tentative minimum tax, as defined by Section 23455.~~

~~(5) Credits for taxes withheld under Section 18662.~~

~~(d) Notwithstanding any other provision of this part, each of the following applies:~~

~~(1) No credit may reduce the “tax” below the tentative minimum tax (as defined by paragraph (1) of subdivision (a) of Section 23455), except the following credits:~~

~~(A) The credit allowed by former Section 23601 (relating to solar energy).~~

~~(B) The credit allowed by former Section 23601.4 (relating to solar energy).~~

~~(C) The credit allowed by former Section 23601.5 (relating to solar energy).~~

~~(D) The credit allowed by Section 23609 (relating to research expenditures).~~

~~(E) The credit allowed by former Section 23609.5 (relating to clinical testing expenses).~~

~~(F) The credit allowed by Section 23610.5 (relating to low-income housing).~~

~~(G) The credit allowed by former Section 23612 (relating to sales and use tax credit).~~

~~(H) The credit allowed by Section 23612.2 (relating to enterprise zone sales or use tax credit).~~

~~(I) The credit allowed by Section 23612.3 (relating to medical enterprise zone sales and use tax credit).~~

~~(J) The credit allowed by former Section 23612.6 (relating to Los Angeles Revitalization Zone sales tax credit).~~

~~(K) The credit allowed by former Section 23622 (relating to enterprise zone hiring credit).~~

~~(L) The credit allowed by Section 23622.7 (relating to enterprise zone hiring credit).~~

1 ~~(M) The credit allowed by former Section 23623 (relating to~~
2 ~~program area hiring credit).~~

3 ~~(N) The credit allowed by former Section 23623.5 (relating to~~
4 ~~Los Angeles Revitalization Zone hiring credit).~~

5 ~~(O) The credit allowed by former Section 23625 (relating to~~
6 ~~Los Angeles Revitalization Zone hiring credit).~~

7 ~~(P) The credit allowed by Section 23633 (relating to targeted~~
8 ~~tax area sales or use tax credit).~~

9 ~~(Q) The credit allowed by Section 23634 (relating to targeted~~
10 ~~tax area hiring credit).~~

11 ~~(R) The credit allowed by Section 23649 (relating to qualified~~
12 ~~property).~~

13 ~~(2) No credit against the tax may reduce the minimum franchise~~
14 ~~tax imposed under Chapter 2 (commencing with Section 23101).~~

15 ~~(e) Any credit which is partially or totally denied under~~
16 ~~subdivision (d) is allowed to be carried over to reduce the "tax"~~
17 ~~in the following year, and succeeding years if necessary, if the~~
18 ~~provisions relating to that credit include a provision to allow a~~
19 ~~carryover of the unused portion of that credit.~~

20 ~~(f) Unless otherwise provided, any remaining carryover from a~~
21 ~~credit that has been repealed or made inoperative is allowed to be~~
22 ~~carried over under the provisions of that section as it read~~
23 ~~immediately prior to being repealed or becoming inoperative.~~

24 ~~(g) Unless otherwise provided, if two or more taxpayers share~~
25 ~~in costs that would be eligible for a tax credit allowed under this~~
26 ~~part, each taxpayer is eligible to receive the tax credit in proportion~~
27 ~~to his or her respective share of the costs paid or incurred.~~

28 ~~(h) Unless otherwise provided, in the case of an "S" corporation,~~
29 ~~any credit allowed by this part is computed at the "S" corporation~~
30 ~~level, and any limitation on the expenses qualifying for the credit~~
31 ~~or limitation upon the amount of the credit applies to the "S"~~
32 ~~corporation and to each shareholder.~~

33 ~~(i) (1) With respect to any taxpayer that directly or indirectly~~
34 ~~owns an interest in a business entity that is disregarded for tax~~
35 ~~purposes pursuant to Section 23038 and any regulations thereunder,~~
36 ~~the amount of any credit or credit carryforward allowable for any~~
37 ~~taxable year attributable to the disregarded business entity is limited~~
38 ~~in accordance with paragraphs (2) and (3).~~

39 ~~(2) The amount of any credit otherwise allowed under this part,~~
40 ~~including any credit carryover from prior years, that may be applied~~

1 to reduce the taxpayer's "tax," as defined in subdivision (a), for
2 the taxable year is limited to an amount equal to the excess of the
3 taxpayer's regular tax (as defined in Section 23455), determined
4 by including income attributable to the disregarded business entity
5 that generated the credit or credit carryover, over the taxpayer's
6 regular tax (as defined in Section 23455), determined by excluding
7 the income attributable to that disregarded business entity. No
8 credit is allowed if the taxpayer's regular tax (as defined in Section
9 23455), determined by including the income attributable to the
10 disregarded business entity is less than the taxpayer's regular tax
11 (as defined in Section 23455), determined by excluding the income
12 attributable to the disregarded business entity.

13 (3) If the amount of a credit allowed pursuant to the section
14 establishing the credit exceeds the amount allowable under this
15 subdivision in any taxable year, the excess amount may be carried
16 over to subsequent taxable years pursuant to subdivisions (d), (e),
17 and (f).

18 (j) (1) Unless otherwise specifically provided, in the case of a
19 taxpayer that is a partner or shareholder of an eligible pass-through
20 entity described in paragraph (2), any credit passed through to the
21 taxpayer in the taxpayer's first taxable year beginning on or after
22 the date the credit is no longer operative may be claimed by the
23 taxpayer in that taxable year, notwithstanding the repeal of the
24 statute authorizing the credit prior to the close of that taxable year.

25 (2) For purposes of this subdivision, "eligible pass-through
26 entity" means any partnership or "S" corporation that files its return
27 on a fiscal year basis pursuant to Section 18566, and that is entitled
28 to a credit pursuant to this part for the taxable year that begins
29 during the last year a credit is operative.

30 (3) This subdivision applies to credits that become inoperative
31 on or after the operative date of the act adding this subdivision.

32 SEC. 8. Section 23612.3 is added to the Revenue and Taxation
33 Code, to read:

34 23612.3. (a) For each taxable year beginning on or after
35 January 1, 2008, there shall be allowed a credit against the "tax,"
36 as defined by Section 23036, an amount, not to exceed the
37 limitation in subdivision (f), that is equal to the sales or use tax
38 paid or incurred by the taxpayer in connection with the purchase
39 of qualified property.

40 (b) For purposes of this section:

1 (1) “Taxpayer” means an entity engaged in a trade or business
2 that provides primary care services as defined in subdivision (d)
3 of Section 2201 of the Business and Professions Code, within a
4 medical enterprise zone.

5 (2) “Qualified property” means medical equipment, up to a
6 value of twenty million dollars (\$20,000,000), that is used
7 exclusively in a medical enterprise zone.

8 (3) “Medical equipment” includes, but is not limited to,
9 audiometers, EKGs, colposcopes, flexible sigmoidoscopes,
10 pulmonary function machines, microscopes, small refrigerators
11 and incubators, surgical instruments used for minor surgery,
12 biopsies, and sutures, X-ray viewing boxes, chemical analyzers,
13 centrifuges, hematoct centrifuges, sphygmomanometers,
14 otoscopes, ophthalmoscopes, adult scales, baby scales, exam room
15 furniture, waiting room furniture, filing cabinets, computers,
16 software, and other electronic hardware that will improve the
17 quality of care through the use of electronic medical records or
18 other information technology, printers, computer tables, dictating
19 equipment, and typewriters.

20 (4) “Medical enterprise zone” means an area for which
21 designation as a medical enterprise zone is in effect under Section
22 7073 of the Government Code.

23 (e) (1) In the case where a credit is allowed for qualified
24 property under more than one section in this part, the taxpayer
25 shall make an election, on the return filed for each year, as to which
26 section applies to that taxpayer.

27 (2) Any election made under this section and any specification
28 contained in that election, may not be revoked except with the
29 consent of the Franchise Tax Board.

30 (d) In the case where the credit allowed under this section
31 exceeds the limitation imposed by subdivision (f) for the taxable
32 year, that portion of the credit that exceeds the limitation imposed
33 by subdivision (f) may be carried over and added to this credit in
34 succeeding taxable years for the number of taxable years in which
35 the designation of a medical enterprise zone is operative, until the
36 credit is used. The credit shall be applied first to the earliest taxable
37 years possible.

38 (e) Any taxpayer who elects to be subject to this section shall
39 not be entitled to increase the basis of the property as otherwise
40 required by Section 164(a) of the Internal Revenue Code with

1 respect of the sales and use tax paid or incurred in connection with
2 the purchase of qualified property.

3 (f) ~~The amount of the credit provided by this section, including~~
4 ~~any credit carryover from prior years, in any taxable year shall not~~
5 ~~exceed the amount of tax that would be imposed on the income~~
6 ~~attributable to business activities of the taxpayer within the medical~~
7 ~~enterprise zone as if that attributable income represented all of the~~
8 ~~income of the taxpayer subject to tax under this part. In the event~~
9 ~~that a credit carryover is allowable under subdivision (d) for any~~
10 ~~taxable year after the medical enterprise zone designation has~~
11 ~~expired, the medical enterprise zone shall be deemed to remain in~~
12 ~~existence for purposes of computing this limitation. The amount~~
13 ~~of that attributable income shall be determined in accordance with~~
14 ~~the provisions of Article 2 (commencing with Section 25120) of~~
15 ~~Chapter 17 of Part 11, modified as follows:~~

16 (1) ~~Income shall be apportioned to the medical enterprise zone~~
17 ~~by multiplying total income from the business by a fraction, the~~
18 ~~numerator of which is the property factor plus the payroll factor,~~
19 ~~and the denominator of which is two.~~

20 (2) ~~Medical enterprise zone shall be substituted for “this state.”~~

21 (g) ~~If the qualified property is disposed of or no longer used by~~
22 ~~the taxpayer in a medical enterprise zone, at any time before the~~
23 ~~close of the second taxable year after the property is placed in~~
24 ~~service, the amount of the credit previously claimed shall be added~~
25 ~~to the taxpayer’s tax liability in the taxable year of that disposition~~
26 ~~or nonuse.~~

27 SEC. 9. ~~Section 23612.5 is added to the Revenue and Taxation~~
28 ~~Code, to read:~~

29 23612.5. (a) ~~For each income year beginning on or after~~
30 ~~January 1, 2008, there shall be allowed as a credit against the “tax,”~~
31 ~~as defined by Section 23036, to a qualified taxpayer for hiring a~~
32 ~~health care professional during the income year. The credit shall~~
33 ~~be equal to the sum of each of the following:~~

34 (1) ~~Fifty percent for qualified wages in the first year of~~
35 ~~employment.~~

36 (2) ~~Forty percent for qualified wages in the second year of~~
37 ~~employment.~~

38 (3) ~~Thirty percent for qualified wages in the third year of~~
39 ~~employment.~~

1 ~~(4) Twenty percent for qualified wages in the fourth year of~~
2 ~~employment.~~

3 ~~(5) Ten percent for qualified wages in the fifth year of~~
4 ~~employment.~~

5 ~~(b) For purposes of this section:~~

6 ~~(1) “Qualified wages” means the wages paid or incurred by the~~
7 ~~employer during the taxable year to health care professionals.~~
8 ~~“Qualified wages” means that portion of hourly wages which does~~
9 ~~not exceed 150 percent of the minimum wage.~~

10 ~~(2) “Qualified years one through five wages” means, with~~
11 ~~respect to any individual, qualified wages received during the~~
12 ~~60-month period beginning with the day the individual commences~~
13 ~~employment within a medical enterprise zone.~~

14 ~~(3) “Minimum wage” means the wage established by the~~
15 ~~Industrial Welfare Commission as provided for in Chapter 1~~
16 ~~(commencing with Section 1171) of Part 4 of Division 2 of the~~
17 ~~Labor Code.~~

18 ~~(4) “Qualified taxpayer” means a person or entity engaged in a~~
19 ~~trade or business that provides primary care services as defined in~~
20 ~~subdivision (d) of Section 2201 of the Business and Professions~~
21 ~~Code, any physician and surgeon licensed pursuant to Section 1900~~
22 ~~of the Business and Professions Code, or a primary care midlevel~~
23 ~~health care practitioner, as defined in subdivision (b) of Section~~
24 ~~1339.5 of the Health and Safety Code, within a medical enterprise~~
25 ~~zone.~~

26 ~~(5) “Health care professional” means an individual who is any~~
27 ~~of the following:~~

28 ~~(A) A qualified employee within the meaning of paragraph (6):~~

29 ~~(B) Hired by the employer after the designation of the area in~~
30 ~~which services were performed as a medical enterprise zone.~~

31 ~~(C) Relocated to a medical enterprise zone.~~

32 ~~(D) Is any of the following:~~

33 ~~(i) A primary care physician as defined in Section 14254 of the~~
34 ~~Welfare and Institutions Code.~~

35 ~~(ii) A nurse as defined in Section 2725 of the Business and~~
36 ~~Professions Code.~~

37 ~~(iii) A physician assistant who is licensed by the Physician~~
38 ~~Assistant Examining Committee, and who meets the requirements~~
39 ~~of Chapter 7.7 (commencing with Section 3500) of Division 2 of~~
40 ~~the Business and Professions Code.~~

1 ~~(iv) A nurse practitioner licensed under Chapter 6 (commencing~~
2 ~~with Section 2700) of Division 2 of the Business and Professions~~
3 ~~Code and who meets the standards for a nurse practitioner~~
4 ~~established by the Board of Registered Nursing.~~

5 ~~(6) “Qualified employee” means an individual:~~

6 ~~(A) At least 90 percent of whose services for the taxpayer during~~
7 ~~the taxable year are directly related to the conduct of the taxpayer’s~~
8 ~~trade or business located in a medical enterprise zone.~~

9 ~~(B) Who performs at least 50 percent of his or her services for~~
10 ~~the taxpayer during the taxable year in a medical enterprise zone.~~

11 ~~(7) “Medical enterprise zone” means an area for which~~
12 ~~designation as a medical enterprise zone is in effect under Section~~
13 ~~7093 of the Government Code.~~

14 ~~(8) (A) All employees of trades or businesses that are not~~
15 ~~incorporated and that are under common control shall be treated~~
16 ~~as employed by a single employer.~~

17 ~~(B) The credit, if any, allowable by this section with respect to~~
18 ~~each trade or business shall be determined by reference to its~~
19 ~~proportionate share of the qualified wages giving rise to the credit.~~

20 ~~The regulations prescribed under this paragraph shall be based~~
21 ~~on principles similar to the principles that apply in the case of~~
22 ~~controlled groups of corporations as specified in paragraph (8) of~~
23 ~~subdivision (b) of Section 23622.5.~~

24 ~~(9) If an employer acquires the major portion of a trade or~~
25 ~~business of another employer (hereinafter in this paragraph referred~~
26 ~~to as the “predecessor”) or the major portion of a separate unit of~~
27 ~~a trade or business of a predecessor, then, for purposes of applying~~
28 ~~this section, except subdivision (e), for any calendar year ending~~
29 ~~after that acquisition, the employment relationship between an~~
30 ~~employee and an employer shall not be treated as terminated if the~~
31 ~~employee continues to be employed in that trade or business.~~

32 ~~(10) Nothing in this section constitutes an expansion of the~~
33 ~~scope of practice of a licensee as designated under a current law.~~

34 ~~(e) (1) If the employment of any employee, with respect to~~
35 ~~whom qualified wages are taken into account under subdivision~~
36 ~~(a) is terminated by the taxpayer at any time during the first 270~~
37 ~~days of that employment, whether or not consecutive, or before~~
38 ~~the close of the 270th calendar day after the day in which that~~
39 ~~employee completes 90 days of employment with the taxpayer,~~
40 ~~the tax imposed by this part for the taxable year in which that~~

1 ~~employment is terminated shall be increased by an amount~~
2 ~~determined under those regulations equal to the credit allowed~~
3 ~~under subdivision (a) for that taxable year and all prior taxable~~
4 ~~years attributable to qualified wages paid or incurred with respect~~
5 ~~to that employee.~~

6 ~~(2) (A) Paragraph (1) shall not apply to any of the following:~~

7 ~~(i) A termination of employment of an employee who voluntarily~~
8 ~~leaves the employment of the taxpayer.~~

9 ~~(ii) A termination of employment of an individual who, before~~
10 ~~the close of the period referred to in paragraph (1), becomes~~
11 ~~disabled to perform the services of that employment, unless that~~
12 ~~disability is removed before the close of that period and the~~
13 ~~taxpayer fails to offer reemployment to that individual.~~

14 ~~(iii) A termination of employment of an individual, if it is~~
15 ~~determined under the applicable employment compensation~~
16 ~~provisions that the termination was due to the misconduct of that~~
17 ~~individual.~~

18 ~~(iv) A termination of employment of an individual due to a~~
19 ~~substantial reduction in the trade or business operations of the~~
20 ~~taxpayer.~~

21 ~~(v) A termination of employment of an individual, if that~~
22 ~~individual is replaced by other qualified employees so as to create~~
23 ~~a net increase in both the number of employees and the hours of~~
24 ~~employment.~~

25 ~~(B) For purposes of paragraph (1), the employment relationship~~
26 ~~between the taxpayer and an employee shall not be treated as~~
27 ~~terminated by reason of a mere change in the form of conducting~~
28 ~~the trade or business of the taxpayer, if the employee continues to~~
29 ~~be employed in that trade or business and the taxpayer retains a~~
30 ~~substantial interest in that trade or business.~~

31 ~~(3) Any increase in tax under paragraph (1) shall not be treated~~
32 ~~as tax imposed by this part for purposes of determining the amount~~
33 ~~of any credit allowable under this part.~~

34 ~~(d) In the case of an estate or trust:~~

35 ~~(1) The qualified wages for any taxable year shall be apportioned~~
36 ~~between the estate or trust and the beneficiaries on the basis of the~~
37 ~~income of the estate or trust allocable to each.~~

38 ~~(2) Any beneficiary to whom any qualified wages have been~~
39 ~~apportioned under paragraph (1) shall be treated, for purposes of~~
40 ~~this part, as the employer with respect to those wages.~~

~~(e) The credit shall be reduced by the credit allowed under Sections 17053.7, 17053.8, 17053.10, 17053.11, 17053.17, and 17053.46. The credit shall also be reduced by the federal credit allowed under Section 51 of the Internal Revenue Code.~~

~~In addition, any deduction otherwise allowed under this part for the wages or salaries paid or incurred by the taxpayer upon which the credit is based shall be reduced by the amount of the credit.~~

~~(f) In the case where the credit allowed under this section exceeds the limitation imposed by subdivision (g) for the taxable year, that portion of the credit that exceeds the limitation imposed by subdivision (g) may be carried over and added to this credit in succeeding taxable years while the designation of the medical enterprise zone is operative or 15 taxable years, if longer, until the credit is used. The credit shall be applied first to the earliest taxable years possible.~~

~~(g) The amount of the credit provided by this section, including any credit carryover from prior years, in any taxable year shall not exceed the amount of tax that would be imposed on the income attributable to business activities of the taxpayer within the medical enterprise zone as if that attributable income represented all of the income of the taxpayer subject to tax under this part. In the event that a credit carryover is allowable under subdivision (f) for any taxable year after the medical enterprise zone designation has expired, the medical enterprise zone shall be deemed to remain in existence for purposes of computing this limitation. The amount of that attributable income shall be determined in accordance with the provisions of Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified as follows:~~

~~(1) Income shall be apportioned to the medical enterprise zone by multiplying total income from the business by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.~~

~~(2) Medical enterprise zone shall be substituted for "this state." SEC. 10.~~

~~SEC. 2. Section 23612.6 is added to the Revenue and Taxation Code, to read:~~

~~23612.6. (a) For each taxable year beginning on or after January 1, 2008, there shall be allowed as a credit against the "tax," as defined in Section 23036, to a qualified taxpayer ____ percent~~

1 of the qualified amount for the support of a qualified primary care
2 residency training program.

3 (b) For purposes of this section:

4 ~~(1) “Medical enterprise zone” means an area for which~~
5 ~~designation as a medical enterprise zone is in effect under Section~~
6 ~~7093 of the Government Code.~~

7 *(1) “Enterprise zone” means an area for which designation as*
8 *an enterprise zone is in effect under Section 7073 of the*
9 *Government Code.*

10 (2) “Qualified amount” means the costs paid or incurred by a
11 qualified taxpayer for the support of a qualified primary care
12 residency training program.

13 (3) “Qualified primary care residency training program” means
14 a primary care residency training program located and operating
15 ~~in a medical~~ *an enterprise zone.*

16 (4) “Qualified taxpayer” means a person or entity that is lawfully
17 engaged in providing, arranging, paying for, or reimbursing the
18 cost of personal health care services under insurance policies or
19 contracts, medical and hospital service arrangements, or
20 membership contracts, in consideration of premiums or other
21 periodic charges payable to it.

22 (c) In the case where the credit allowed by this section exceeds
23 the “tax,” the excess may be carried over to reduce the “tax” in
24 succeeding years, until the credit is exhausted.

25 *SEC. 3. This act provides for a tax levy within the meaning of*
26 *Article IV of the Constitution and shall go into immediate effect.*